

February 2009

INFORMATION

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ext. 4368
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Fax: (916) 930-2180
OR
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Hazard, KY 41701
Contact: Clarence Woods
Phone: 606-436-0801
ext. 229
Fax: (606) 435-2400
E-mail:
loanprocessing@sba.gov

Fresno Servicing Center
Fresno, CA
(559) 487-5650
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**Liquidation & Purchase
Center**
Herndon, VA
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(202) 481-4674 Fax

**504 & PLP Processing
Center**
6501 Sylvan Road
Citrus Heights, CA 95610
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*All SBA programs and
services are provided on
a nondiscriminatory basis.*

Overview of Stimulus Package Provisions for SBA

Dear Lender:

We are looking forward to quickly getting the tools from the recently passed American Recovery and Reinvestment Act (Stimulus Bill) in your hands. It makes SBA part of the solution with specific tools to make it easier and less expensive for small businesses to get loans, new incentives for you as lenders to make more small business loans, and unfreeze the secondary markets to boost liquidity in the credit markets.

SBA has several teams working on the details of a wide variety of policy decisions, system modifications, regulatory changes, legal requirements, and new program launches authorized by this legislation. Major components consist of:

- \$375 million for temporary fee reductions or eliminations on SBA loans and increased SBA guaranteed shares, up to 90 percent for certain loans
- \$255 million for a new loan program to help small businesses meet existing debt payments
- \$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to microlenders
- \$20 million for technology systems to streamline SBA's lending and oversight processes
- \$15 million for expanding SBA's Surety Bond Guarantee program
- \$25 million for staffing up to meet demands for new programs
- \$10 million for the Office of Inspector General

These appropriations are for the balance of this fiscal year and through September 30, 2010. Policy decisions such as what combination of fee reductions and/or elimination along with the changes in the guarantee percentages will enable to 504 and 7(a) make most effective use of this funding are underway. What does this mean?

Reduced fees, 90 Percent Guarantee

The bill authorizes SBA to temporarily reduce or eliminate loan fees for borrowers and/or lenders in the 7(a) and the 504 loan programs. The bill also allows SBA to raise its loan guarantee from the current levels to as much as 90 percent on 7(a) non Express loans. These steps will make it less costly for small businesses to get SBA-backed financing.

Business Stabilization Loans

The bill authorizes SBA to establish a loan program to provide 100 percent guarantees on deferred-payment, loans to viable small businesses that have a qualifying small business loan and are experiencing immediate financial hardship.

The loans can be up to \$35,000, and are to be used to make payments on an existing loan for up to six months. Repayment would not have to begin until 12 months after the loan is disbursed. The Act provides \$225 million for this new program. Since this is a new program it will require the writing of new regulations and standard operating procedures, the process of which is well under way.

Microloans

The bill expands SBA's existing Microloan program, which provides loans in amounts up to \$35,000 for entrepreneurs who are generally not considered "bankable" by the traditional lending community.

The bill provides funding to increase loans from SBA to participating Microlenders by \$50 million through September 30, 2010, and to increase by \$24 million grants to those lenders, which use the funds to provide technical assistance to their borrowers. You may recall this past fall we approved a \$750,000 loan to the Iowa Foundation for Microenterprise and Community Vitality for the establishment of a statewide microlending program.

Refinancing

The bill also gives SBA the power to use the 504 program to refinance existing loans for fixed assets, providing fresh support for small business expansion.

Secondary Market Expansion

The bill authorizes SBA to establish a secondary market for pools of "first lien" loans under the 504 program. This provision also authorizes SBA to guarantee pools of that non-private sector lender first mortgage portion of the project, so that they can be sold to investors in the secondary market.

The bill empowers SBA to set up a Secondary Market Lending Authority that would make direct loans to broker-dealers that participate in the secondary market for SBA-guaranteed

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Folsom Letter (Continued)

loans. These broker-dealers would use the funds to purchase SBA-backed loans from commercial lenders, assemble them into pools and sell them to investors in the secondary loan market.

Venture Capital

The bill simplifies the maximum levels of funding the agency can provide to SBA-licensed Small Business Investment Companies (SBICs), setting it at up to three times the private capital raised by those companies, or \$150 million, whichever is less, except that when two or more SBICs are owned and controlled by the same investors, the amount can't be more than \$225 million.

The maximums are higher for SBICs that pledge to invest more than half their

dollars in businesses located in low-income areas. The bill also raises the percentage any one SBIC can invest in a single small business to 10 percent of total capital, and raises from 20 percent to 25 percent the percentage of dollar investments that must be made in "smaller" businesses.

Surety Bonds

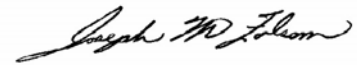
The bill provides \$15 million to support SBA-backed surety bonds issued by private surety companies to small businesses, which need them in order bid on many contracts and ensure that they perform on contracts they win. It also raises the maximum bond amount from to \$5 million, and, under certain circumstances, for total work orders or contracts amounting to \$10 million.

Infrastructure

The bill provides \$20 million for improvements to our information technology systems.

We will provide you details on the implementation of the various provisions as they become available. We will host ReadyTalk webinars and training sessions as need and appropriate to assist you in the implementation of the programs.

Sincerely



Joseph M. Folsom
District Director

SBA Issues New SOP 50 10 5(A) - Changes a Result of Lender Suggestions

SBA has issued new SOP 50 10 5(A) with some changes from the previous version. This new version will be effective March 1, 2009. It can be found at http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_sops_50_105a.pdf.

SBA Information Notice 5000-1092 effective 2/6/2009 explains the changes:

On June 6, 2008, SBA announced the issuance of SOP 50 10(5). SOP 50 10 covers 7(a) and 504 loan processing as well as the requirements to become and remain a 7(a) lender (Lender) or a Certified Development Company (CDC). It was completely re-written in order to develop a more concise version of the SOP that is up to date and user-friendly. The effective date of SOP 50 10(5) was August 1, 2008.

The updated SOP 50 10(5) has been re-numbered as SOP 50 10 5(A) to differentiate it from the previous version. The changes identified in SOP 50 10 5(A) incorporate those policy or procedural notices, as well as regulation changes, governing 7(a) and 504 loan processing that were published between

January 1, 2008 and December 31, 2008. Finally, SBA reviewed and considered the requests for modifications sent to the SOP mailbox (SOP50-10Modernization@sba.gov). Many of those requests have been adopted as well.

In summary, here is a list of the more important changes made:

- All policy and procedural notices between January 1, 2008 and December 31, 2008 were added to the SOP;
- Small/Rural Lender Advantage was added (language was incorporated directly from Notices 5000-1045 and 5000-1056);
- Community Express was added (language was incorporated directly from Notice 5000-1068);
- Added LIBOR plus 300 basis points as a base rate and modified the guidance on selecting the initial note rate (language was incorporated directly from Notices 5000-1081 and 5000-1082);
- Added specific guidance on the financing of good will;
- Modified guidance on debt refinancing;

- Clarified guidance on working capital documentation;
- Modified guidance on environmental provisions and appendices;
- Modified guidance on post-construction certification requirement;
- Modified guidance on business valuations;
- Clarified that CDCs must issue a finding of no adverse change no earlier than 7 days prior to the submission of the closing package to the SBA field office; and
- Updated regulation references to incorporate the Lender Oversight Program Interim Final Rule that became effective 1-12-09.

Lenders, CDCs and other interested parties may continue to send suggestions concerning the SOP to SBA at SOP50-10Modernization@sba.gov. This e-mail box is set up to receive only.

For Questions regarding SOP 50 10 5(A) contact the Des Moines District Office or Cedar Rapids Branch Office.

MARK YOUR CALENDER FOR A READY TALK SESSION ON INTERNATIONAL TRADE

On March 24th John Neville, with the US Export Assistance Center, will hold a Ready Talk for small business owners and lenders interested in international trade. More details, along with call-in information will be provided soon.

SBA Issues Scam Alert to Small Businesses Regarding New “Phishing” Scheme

The SBA has issued a scam alert to small businesses, warning them not to respond to letters falsely claiming to have been sent by the SBA asking for bank account information in order to qualify them for federal tax rebates.

The fraudulent letters were sent out with what appears to be an SBA letterhead to small businesses across the country, advising recipients that they may be eligible for a tax rebate under the Economic Stimulus Act, and that SBA is

assessing their eligibility for such a rebate. The letter asks the small business to provide the name of its bank and account number.

These letters have not been sent by or authorized by the SBA, and all small businesses are strongly advised not to respond to them. We have reports of some businesses in Iowa having received this letter.

The scheme is similar to e-mail scams

often referred to as “phishing” that seek personal data and financial account information that enables another party to access and individual’s bank accounts or to engage in identity theft.

The SBA is working with the SBA Office of Inspector General to investigate this matter. The Office of Inspector General asks that anyone who receives such a letter report it to the OIG Fraud Line at 1 (800) 767-0385, or e-mail at OIGHotline@sba.gov.

SBDCs Offer Business Succession Workshops for Small Businesses in Iowa

Over 25% of the small businesses in Iowa are owned and operated by people 55 and older. Over 10% are operated by people 65 or older, and almost 600 are owned by people 80 and older. Many of Iowa’s small businesses have no established plan of succession.

Business succession planning can take a minimum of a year, sometimes 2 to 6 years or more, and because of barriers many business owners start too late.

Put Success in Succession workshops across the state of Iowa, offer business owners information, local resources, and hands-on assistance on how to plan for the transition of ownership of their business. Iowa Small Business

Development Centers are leading this public/private partnership for business owners wanting to know how to sustain their company while selling to family members, employees or outside buyers.

Beginning in March 2009, eleven communities across the state will offer these workshops:

- Carroll - March 25
- Fort Dodge - March 26
- Iowa Falls - April 2
- Humboldt - April 3,
- Dubuque - April 8
- Ames - April 14
- Red Oak - April 16
- Sioux City - April 21

- Spencer - April 22
- Charles City - May 6
- Iowa City – May 13

These six-hour workshops (9:00 am – 2:00 pm) address selling your business to family, employees or outside buyers; successful strategies and landmines; assembling a team and the succession process; buying/selling motivation and issues; legal, tax and financial considerations; panel discussion with local experts and resources. Cost is \$75 for up to 4 people, which includes lunch and resources for all attendees. Registration, specific locations and more information are available at www.iowasbdc.org.

SBA Lender Activity Report for January

LENDER NAME	LOCATION	#	AMOUNT
LIBERTY BANK	WDM	5	\$515,000
HILLS BANK AND TRUST CO.	HILLS	3	\$153,000
PENDER STATE BANK	NEBRASKA	2	\$675,000
FIRST AMERICAN BANK	FT. DODGE	2	\$662,000
BLACK HAWK ECON. DEV.	WATERLOO	2	\$593,000
AMERICAN NATIONAL BANK	NEBRASKA	2	\$271,000
US BANK	IOWA	2	\$25,000
FIRST NATIONAL BANK IN AMBOY	ILLINOIS	1	\$600,000
COMMUNITY STATE BANK	ANKENY	1	\$350,000
FARMERS & MCHNTS SVGS BANK	MANCHESTER	1	\$325,000
SIOUXLAND ECON. DEV. CORP.	SIOUX CITY	1	\$279,000

LENDER NAME	LOCATION	#	AMOUNT
FIRST NATIONAL BANK	WAVERLY	1	\$265,000
CEDAR RAPIDS BNK & TRUST CO.	CEDAR RAPIDS	1	\$250,000
VALLEY BANK	ILLINOIS	1	\$165,000
IOWA BUSINESS GROWTH CO.	JOHNSTON	1	\$112,000
CENTRAL STATE BANK	MUSCATINE	1	\$65,000
GREEN BELT BANK & TRUST	IOWA FALLS	1	\$45,000
LUANA SAVINGS BANK	LUANA	1	\$42,500
FAIRFAX STATE SAVINGS BANK	FAIRFAX	1	\$25,000
GRABILL BANK	INDIANA	1	\$15,000
UNITED BANK OF IOWA	IDA GROVE	1	\$10,600

The following lenders were participant lenders in the SBA’s 504 Loan Program in Iowa during the month of January

LENDER NAME	LOCATION	#	AMOUNT
TWO RIVERS BANK & TRUST	BURLINGTON	1	\$680,000
VALLEY BANK & TRUST	CHEROKEE	1	\$450,258

LENDER NAME	LOCATION	#	AMOUNT
COMMUNITY NATIONAL BANK	WATERLOO	1	\$145,000
MIDSTATES BANK	COUNCIL BLUFFS	1	\$135,000